

Message Text

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ACTION EB-06

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 9962

CONFIDENTIAL CAIRO 8781

FOR DEPUTY SECRETARY OF STATE INGERSOLL

PLEASE PASS TREASURY FOR SECRETARY SIMON FROM PARSKY

E.O. 11652: GDS

TAGS:

SUBJECT: U.S.-EGYPT ECONOMIC WORKING GROUP MEETINGS

WE HAVE HAD TWO WORKING GROUP SESSIONS AND I HAVE HAD INDIVIDUAL MEETINGS WITH PRIME MINISTER HEGAZI AND MINISTERS HILLAL AND TAHIR AMIN. I WIL BE SEEING MINISTER ABDULLAH TORMORROW. I THINK THE SESSIONS HAVE GONE WELL AND THAT WE WILL BE ABLE TO AGREE ON COOPERATION IN A NUMBER OF AREAS, INCLUDING THE FOLLOWING:

(1) TAX TREATY. NEGOTIATIONS HAVE GONE WELL AND WE SHOULD BE IN A POSITION TO FINALIZE IT SOON AFTER RETURN TO WASHINGTON.

(2) IRS ASSISTANCE IN TAX ADMINISTRATION. WE HAVE AGREED TO HAVE OUR MAN COME BACK FROM BEIRUT IN A WEEK TO OUTLINE A COMPLETE PROGRAM IN THIS AREA.

(3) PROJECT DEVELOPMENT CAPABILITY. A TEAM HAS BEEN HERE FOR

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A WEEK AND WE WILL BE SENDING A PROPOSAL WITH A TIMETABLE FOR

THE IMPROVEMENT OF PROJECT DEVELOPMENT CAPABILITY AS WELL AS A FOCAL POINT FOR PUBLIC SECTOR DEVELOPMENT.

(4) JOINT BUSINESS COUNCIL. WE HAVE AGREED ON THE GENERAL FOCUS FOR SUCH A COUNCIL AND WE WILL BE SELECTING AS A CHAIRMAN EITHER ARTHUR SANTRY, PRESIDENT, COMBUSTION ENGINEERING OR THOMAS MURPHY, VICE CHAIRMAN, GENERAL MOTORS. WE WILL BE PLANNING TO HOLD THE FIRST EXECUTIVE COMMITTEE MEETING SOME-TIME IN DECEMBER, HOPEFULLY AT A TIME WHEN DR. HEGAZI IS IN THE UNITED STATES.

(5) INVESTMENT LAW. WE PROVIDED OUR ANALYSIS OF THE INVESTMENT LAW AND AGREED TO REVIEW THE LAW WITH A NUMBER OF BUSINNESSMEN IN THE UNITED STATES. FURTHER, WE AGREED TO SEND BACK A LEGAL EXPERT TO WORK ON REVISIONS THAT MAY BE NEEDED.

(6) U.S. AID PROGRAM. WE HAVE AGREED ON PRACTICALLY ALL ALLOCATIONS ONCE THE LEGISLATION IS PASSED.

TOMORROW, WE WILL BE SPENDING A GOOD DEAL OF TIME ON INDIVIDUAL JOINT VENTURE PROJECTS AS WELL AS TRIANGULAR INVESTMENT, WHICH INTERESTS THE EGYPTIANS VERY MUCH. I PLAN TO GET AS GOOD A PICTURE AS POSSIBLE OF ALL THE PROJECTS CURRENTLY UNDER CONSIDERATION AS WELL AS IDENTIFYING THOSE WHICH LEND THEM-SELVES TO THIRD PARTY FINANCING. I WOULD HOPE TO IDENTIFY SEVERAL PROJECTS WHICH I COULD DISCUSS ON MY VISIT TO KUWAIT. THE EGYPTIANS ARE VERY INTERESTED IN MY TRIP AND IN FACT, DR. HEGAZI AND TAHIR AMIN WILL BE VISITING SAUDI ARABIA AND KUWAIT ON NOVEMBER 15 AND WOULD LIKE ME TO COMMUNICATE BACK TO THEM ABOUT MY TALKS IN KUWAIT.

MEETING WITH DR. HEGAZI. I HAD 1 1/2 HOUR MEETING WITH DR. HEGAZI AND IT WAS AN EXTREMELY WARM SESSION. I REVIEWED WITH HIM THE ACTIVITIES OF OUR JOINT COMMISSION AND THE NUMBER OF ACCOMPLISHMENTS WE HAVE MADE TO DATE. HE INDICATED THAT HE FELT THINGS HAD BEEN GOING VERY WELL BUT THAT HE WAS CONCERNED THAT U.S. BUSINESSES WERE STILL RELUCTANT. HE ASKED THAT I FOLLOW UP ON THE VISITS OF THE BUSINESS COMMUNITY AND LET HIM KNOW WHAT PROBLEMS I SENSED. HE EXPRESSED CONCERN ABOUT EX-IMBANK'S RELUCTANCE TO GO AHEAD ON EFFORTS IN EGYPT AND INDIA-
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CATED HE WOULD BE SEEING BILL CASEY. HE ASKED ME TO REVIEW THE WHOLE SITUATION WITH BILL WHEN I RETURN. I RAISED THE ISSUE OF LOCAL CURRENCY ARREARAGES AND HE SAID THAT HIS CABINET WAS CONSIDERING THE BUDGET THIS WEEK AND HE HOPED HE MIGHT HAVE AN ANSWER FOR ME BEFORE I LEFT. IN TOUCHING ON THE AID PROGRAM, WE DISCUSSED THE REPORTED \$1 BILLION OF MONEY COMING TO EGYPT FROM THE OTHER ARAB COUNTRIES. AMB EILTS AND I INDICATED THAT THERE MAY BE SOME QUESTIONS ABOUT HOW MUCH OF

THIS WOULD BE GOING TO ECONOMIC DEVELOPMENT (AS OPPOSED TO MILITARY) AND HE SAID THAT FIRST OF ALL, THE AMOUNT WAS STILL UNCERTAIN AND SECOND, GIVEN EGYPT'S FINANCIAL SITUATION, NONE OF THE AMOUNT COULD BE CONSIDERED ECONOMIC DEVELOPMENT FUNDS.

MEETING WITH MINISTER HILLAL. HE SAID HE WAS GRATEFUL TO US FOR OUR WORK IN ASSISTING THEM TO OBTAIN LUBRICATING OILS. HE INDICATED HE WAS VERY INTERESTED IN ESTABLISHING A TRAINING PROGRAM IN THE PETROLEUM INDUSTRY AND I SAID WE WERE TAKING STEPS TO SEE THAT THIS WAS DONE. WE DISCUSSED THE U.S. DOMESTIC ENERGY POLICY AS WELL AS THE OIL PRICE ISSUE. HE WAS VERY FRANK WITH ME AND MADE IT CLEAR THAT THE PRICE ISSUE WAS PURELY POLITICAL AND ONCE THERE WAS PROGRESS ON THAT FRONT, THERE WOULD BE NOTHING IN THE WAY OF REDUCTION IN PRICE.

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